Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Federal-State Joint Board on	)	CC Docket No. 96-45
Universal Service	)	

PETITION FOR RECONSIDERATION

Sprint Corporation hereby respectfully submits its Petition for Reconsideration of the Commission's *Report and Order*, released May 8, 1997 in the above-captioned proceeding. Sprint requests that the Commission reconsider in part its rules regarding existing USF support and eligibility for USF support for carriers which provide service through resale of wholesale LEC services.

The existing USF plan is designed to provide interstate support for intrastate (local) services. Under Part 36 of the Commission's Rules, high cost LECs assign additional costs (over and above jurisdictional cost allocations applicable to all LECs) to the interstate jurisdiction, thereby directly reducing the costs that those LECs must recover from intrastate services. Those additional expense allocations to the interstate jurisdiction are currently recovered from IXCs through a charge per presubscribed line.

Under the rules adopted by the Commission (Section 36.601(c)), the allocation of these additional expenses to the interstate jurisdiction for USF purposes will be discontinued for nonrural LECs effective January 1, 1999. USF payments received by nonrural LECs under the new plan to become effective on that date would be targeted exclusively to reductions in interstate access charges. Rural LECs will transition to the new USF support plan beginning no sooner than January 1, 2001 (para. 204).

The impact of the Commission's plan will be to shift substantial costs to the intrastate jurisdiction. LECs currently receiving USF support will have no alternative but to seek to recover the costs reallocated to the intrastate jurisdiction either through increases in intrastate rates or through state USF funds.

Sprint believes that this places an undue and unwarranted burden on the state jurisdictions. Not only must states now absorb the jurisdictional shift in costs resulting from the Commission's new USF plan, but they must also address, consistent with the mandate of the Telecommunications Act, the whole issue of intrastate subsidies and universal service support. The reallocation of costs to the intrastate jurisdiction compounds the difficulty of the states' task.

Rather than reshuffling costs between jurisdictions, Sprint urges the Commission to recognize the universal service issue for what it is--a national issue requiring a national solution. The Commission should adopt a combined state and federal USF plan that provides a reasonable level of support to intrastate as well as interstate services. Under such an approach, the existing USF could be superceded by the new USF plan without creating any dislocations, since it is highly likely (if not certain) that the USF support for any particular company's intrastate services will be higher under the new plan than under the existing plan.

Alternatively, in the event that the Commission does not reconsider its plan for an interstate-only USF, it should nevertheless preserve the existing interstate allocation for USF purposes, at least for a transitional time period. This would afford states time to more fully consider and develop intrastate USF plans, including plans to transition the existing interstate support to the intrastate jurisdiction in a manner least disruptive to universal service.

The Commission's *Report and Order* also sets forth its interpretation of the Section 214(e) provision requiring that an Eligible Telecommunications Carrier (ETC) must provide service "...either using its own facilities or a combination of its own facilities and resale of another carrier's services..." in order to qualify for USF support payments. The definition of "facilities" adopted by the Commission includes "...any physical components of the telecommunications network that are used in the transmission or routing of the services designated for support..." (para. 151).

Correspondingly, the Commission correctly held that a carrier serving a customer solely through resale of wholesale service would not be eligible to receive USF support for that customer (para. 174). As the Commission recognized, the purpose of USF "...is to compensate carriers for serving high cost customers at below cost prices" (para 290). The wholesale prices paid by resellers already reflects the USF support payment to the underlying carrier, and therefore pure resellers neither need nor are entitled to additional direct support payments (para. 178).

However, in defining the level of facilities required to satisfy the facilities requirement of the Act, the Commission held that it is sufficient for a carrier to use its own facilities to provide at least one of the services designated for support (para. 169). Specifically, the Commission concluded that a carrier could satisfy the facility requirement by providing its own access to operator services, and obtaining the remainder of the service through resale. The implication (if not the intent) of this definition is that a

CLEC can qualify for USF support if it resells ILEC basic services, but provides its own operator services (as, indeed, some CLECs are currently doing). The result would be to both undermine the Commission's determination that USF support should not be afforded to resellers and to place the underlying facility carrier at significant financial risk. CLECs would not only be able to obtain basic services at wholesale rates, which are calculated as a discount off of retail rates already priced below cost, but would also receive the support funding that was intended to maintain those low retail rates. ILECs, on the other hand, cannot sustain the existing retail rate levels if they, as the provider of the underlying facilities, no longer receive support funding. The loss of such support requires that the ILEC either raise basic service rates or sustain the financial losses resulting from the loss of USF support. Moreover, permitting CLECs to obtain USF funding for resold services would provide a powerful disincentive for facilities-based competition, at least in high cost areas. If a CLEC can obtain services at below-cost rates, while also receive USF support, there will be few if any instances in which it would be economically advantageous to construct its own facilities.

Sprint therefore urges the Commission to reconsider its definition of the level of facilities a carrier is required to provide to explicitly prohibit any USF support to a carrier for any customer that it serves through resale of wholesale services, notwithstanding the fact the carrier might also provide a portion of the service, in addition to the resold service, through its own facilities.

Respectfully submitted,

SPRINT CORPORATION

Norina T. Moy

Leon M. Kestenbaum
Jay C. Keithley
Norina T. Moy
1850 M St., N.W., Suite 1110
Washington, D.C. 20036
(202) 857-1030

July 17, 1997

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Petition for Reconsideration of Sprint Corporation was Hand Delivered or sent by United States first-class mail, postage prepaid, on this the 17th day of July, 1997 to the following parties:

Joan A. Hesler

The Honorable Reed Hundt
Chairman
Federal Communications Comm.
1919 M Street, N.W.
Washington, D.C. 20554

The Honorable Rachelle Chong
Commissioner
Federal Communications Comm.
1919 M Street, N.W.
Washington, D.C. 20554

The Honorable Susan Ness
Commissioner
Federal Communications Comm.
1919 M Street, N.W.
Washington, D.C. 20554

International Transcription Service
1919 M Street, N.W.
Washington, D.C. 20554

Regina Keeney, Chief
Common Carrier Bureau
1919 M Street, N.W.
Washington, D.C. 20554

Kenneth P. Moran, Chief
Accounting & Audits Division
2000 L Street, N.W., 8th Floor
Washington, D.C. 20554

The Honorable Julia Johnson
Commissioner
Florida Public Service Commission
2540 Shumard Oak Boulevard
Gerald Gunter Building
Tallahassee, FL 32399

The Honorable Kenneth McClure
Commissioner
Missouri Public Service Commission
301 W. High Street, Suite 530
Jefferson City, MO 65101

The Honorable Sharon L. Nelson
Chairman
Washington Utilities and
Transportation Commission
P.O. Box 47250
Olympia, WA 98504

The Honorable Laska Schoenfelder
Commissioner
So. Dakota Public Utilities Comm.
State Capitol, 500 E. Capitol Street
Pierre, SD 57501

Martha S. Hogerty
Public Counsel for the State
of Missouri
Harry S. Truman Building
Room 250
Jefferson City, MO 65102

Debra Kriete
Pennsylvania Public Utilities Comm.
P.O. Box 3265
Harrisburg, PA 17105

Mark Long
Florida Public Service Commission
2540 Shumard Oak Boulevard
Gerald Gunter Building
Tallahassee, FL 32399

Samuel Londenslager
Arkansas Public Service Comm.
P.O. Box 400
Little Rock, AR 72203

Sandra Makeef
Iowa Utilities Board
Lucas State Office Building
Des Moines, IA 50319

Philip P. McClelland
Pennsylvania Office of Consumer
1425 Strawberry Square
Harrisburg, PA 17120

Michael A. McRae
D.C. Office of the People's
Counsel
1133 15th Street, N.W., Room 500
Washington, D.C. 20005

Terry Monroe
New York Public Service Comm.
3 Empire Plaza
Albany, NY 12223

Lee Palagyi
Washington Utilities and
Transportation Commission
1300 So. Evergreen Park Dr., SW
Olympia, WA 98504

Barry Payne
Indiana Office of the Consumer
100 No. Senate Avenue, Room N501
Indianapolis, IN 46204

Brian Roberts
California Public Utilities Comm.
505 Van Ness Avenue
San Francisco, CA 94102